

**ROSE STATE COLLEGE
FOUNDATION, INC.**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended June 30, 2019 and 2018

ROSE STATE COLLEGE FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Rose State College Foundation, Inc.

We have audited the accompanying financial statements of Rose State College Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rose State College Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads 'Arledge & Associates, P.C.'.

August 28, 2019

ROSE STATE COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS	2019	2018
Cash and cash equivalents	\$ 1,050,003	\$ 533,242
Investments		
Endowment	854,072	729,386
Other	700,237	719,012
Land	-	78,400
Atkinson Heritage Center Property	2,863,000	2,863,000
Artwork collection	7,000	7,000
	<u>5,474,312</u>	<u>4,930,040</u>
TOTAL ASSETS	\$ 5,474,312	\$ 4,930,040
LIABILITIES AND NET ASSETS		
Grants payable	\$ 28,026	\$ 35,637
	<u>28,026</u>	<u>35,637</u>
TOTAL LIABILITIES	28,026	35,637
NET ASSETS		
Without donor restrictions		
Board designated	28,862	-
Undesignated	341,895	259,819
Total without donor restrictions	<u>370,757</u>	<u>259,819</u>
With donor restrictions	<u>5,075,529</u>	<u>4,634,584</u>
	<u>5,446,286</u>	<u>4,894,403</u>
	<u>\$ 5,474,312</u>	<u>\$ 4,930,040</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 5,474,312	\$ 4,930,040

See notes to financial statements.

ROSE STATE COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS			
Contributions	\$ 66,918	\$ 550,212	\$ 617,130
Net investment return	70,406	54,952	125,358
Other income	6,581	-	6,581
In-kind contributions	121,220	-	121,220
	<u>265,125</u>	<u>605,164</u>	<u>870,289</u>
Gross special events revenue	59,583	-	59,583
Special events gifts in-kind	36,455	-	36,455
Less cost of direct benefits to donors	<u>(48,312)</u>	<u>-</u>	<u>(48,312)</u>
Net special events revenue	<u>47,726</u>	<u>-</u>	<u>47,726</u>
Donor changes in net asset restrictions	28,400	(28,400)	
Net assets released from restrictions	<u>135,819</u>	<u>(135,819)</u>	<u>-</u>
TOTAL REVENUES, SUPPORT, AND GAINS	<u>477,070</u>	<u>440,945</u>	<u>918,015</u>
EXPENSES AND LOSSES			
Program services expense			
Scholarships, awards, and programs	<u>178,972</u>	<u>-</u>	<u>178,972</u>
Total program service expenses	<u>178,972</u>	<u>-</u>	<u>178,972</u>
Supporting services expenses			
Management and general	<u>187,160</u>	<u>-</u>	<u>187,160</u>
Total supporting services expenses	<u>187,160</u>	<u>-</u>	<u>187,160</u>
TOTAL EXPENSES AND LOSSES	<u>366,132</u>	<u>-</u>	<u>366,132</u>
CHANGE IN NET ASSETS	110,938	440,945	551,883
NET ASSETS AT BEGINNING OF YEAR	<u>259,819</u>	<u>4,634,584</u>	<u>4,894,403</u>
NET ASSETS AT END OF YEAR	<u>\$ 370,757</u>	<u>\$ 5,075,529</u>	<u>\$ 5,446,286</u>

See notes to financial statements.

ROSE STATE COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS			
Contributions	\$ 321,587	\$ 118,225	\$ 439,812
Net investment return	76,430	73,979	150,409
Other income	2,786	-	2,786
In-kind contributions	112,656	-	112,656
	<u>513,459</u>	<u>192,204</u>	<u>705,663</u>
Gross special events revenue	67,628	4,408	72,036
Special events gifts in-kind	33,028	-	33,028
Less cost of direct benefits to donors	<u>(48,096)</u>	<u>-</u>	<u>(48,096)</u>
Net special events revenue	<u>52,560</u>	<u>4,408</u>	<u>56,968</u>
Net assets released from restrictions	<u>89,174</u>	<u>(89,174)</u>	<u>-</u>
TOTAL REVENUES, SUPPORT, AND GAINS	<u>655,193</u>	<u>107,438</u>	<u>762,631</u>
EXPENSES AND LOSSES			
Program services expense			
Scholarships, awards, and programs	<u>386,273</u>	<u>-</u>	<u>386,273</u>
Total program service expenses	<u>386,273</u>	<u>-</u>	<u>386,273</u>
Supporting services expenses			
Management and general	<u>159,616</u>	<u>-</u>	<u>159,616</u>
Total supporting services expenses	<u>159,616</u>	<u>-</u>	<u>159,616</u>
TOTAL EXPENSES AND LOSSES	<u>545,889</u>	<u>-</u>	<u>545,889</u>
CHANGE IN NET ASSETS	109,304	107,438	216,742
NET ASSETS AT BEGINNING OF YEAR	<u>150,515</u>	<u>4,527,146</u>	<u>4,677,661</u>
NET ASSETS AT END OF YEAR	<u>\$ 259,819</u>	<u>\$ 4,634,584</u>	<u>\$ 4,894,403</u>

See notes to financial statements.

ROSE STATE COLLEGE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ending June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 551,883	\$ 216,742
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized investment gains	(113,332)	(139,550)
Gain on sale of land	(462)	-
Contributions restricted for endowments	(54,686)	(37,401)
Changes in operating assets and liabilities:		
Grants payable	<u>(7,611)</u>	<u>(10,863)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>375,792</u>	 <u>28,928</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land	78,862	-
Proceeds from sales of investments, net	7,421	26,937
Collections of contributions restricted to endowment	<u>54,686</u>	<u>37,401</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>140,969</u>	 <u>64,338</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 516,761	 93,266
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>533,242</u>	 <u>439,976</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 1,050,003</u>	 <u>\$ 533,242</u>

See notes to financial statements.

ROSE STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Rose State College Foundation, Inc. (the “Foundation”) is a nonprofit organization whose mission and principal activities are to promote the educational and cultural interest of Rose State College (the “College”), a public institution of higher education. The Foundation’s revenues and other support are derived principally from contributions and its activities are conducted in the Midwest City, Oklahoma, area. Members of the Board of Governors are associate members of the Board of Trustees and are nonvoting members.

Although the College does not control the timing or amount of receipts from the Foundation, the majority of the Foundation’s resources and related income are restricted by donors for the benefit of the College. Therefore, these restricted resources held by the Foundation can only be used by, or for the benefit of, the College. The Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

Financial Statement Presentation – The Foundation follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). The ASC is the single source of authoritative guidance for accounting principles generally accepted in the United States of America (“U.S. GAAP”) for nongovernmental entities. The Foundation’s financial statements have been prepared on the accrual basis of accounting and to ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. All inter-fund activities have been eliminated in the accompanying financial statements.

Effective July 1, 2018, the Foundation adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions of gifts used to acquire or construct long-lived assets absent donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expense, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The implementation of ASU 2016-14 required the reclassification of prior year balances of permanently and temporarily restricted net assets into a single category of “net assets with donor restrictions.” The Foundation’s previously reported unrestricted net assets are now reported as “net assets without donor restrictions.”

Cash and Cash Equivalents – The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

ROSE STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment – Property and equipment additions over \$7,000 are capitalized on a straight-line basis over the estimated useful life of each asset, with the exception of computer hardware and software additions, which are not capitalized unless the addition exceeds \$20,000. At June 30, 2019 and 2018, all property and equipment was fully depreciated.

Investments – Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Investment in the Commonfund is valued at fair value based upon the underlying fair value of the funds' equity and debt securities. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Collections – All collections of works of art, historical treasures, and similar assets are capitalized. Items added to the collections are capitalized at cost if purchased or at estimated fair value on the acquisition date, if donated. Collection items sold or removed are reported as unrestricted or temporarily restricted gains or losses depending on donor stipulations, if any, placed on the items at the time of acquisition.

Net Asset Classifications – Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions – Consists of amounts that are available for use in carrying out the supporting activities of the Foundation and are not subject to donor-imposed stipulations. The Board had designated \$28,862 of the Foundation's net assets without donor restrictions for specified purposes.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time, or are maintained in perpetuity by the Foundation. When the donor-imposed stipulation ends or the Foundation satisfies an action, the Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions.

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition – Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

ROSE STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Contribution Revenue – Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability (i.e., unearned revenue) until the conditions are substantially met.

Allocation of Expenses – The Foundation accounts for direct support to Rose State College, such as scholarships and grants/gifts as program expenses. All other expenses are considered to be supporting services expenses. The majority of supporting services expenses are in-kind expenses for salaries and rent (see Note 7 and Note 8).

Income Taxes – The Foundation is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1) and (3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments and Credit Risk – The Foundation manages deposit concentration risk by placing cash and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

ROSE STATE COLLEGE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Accounting Standards Issued But Not Yet Adopted – On November 17, 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash*. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the statement of financial position and disclose the nature of the restrictions. The new standard is effective for fiscal years beginning after December 15, 2018. The Foundation has not yet determined the potential effects of the new standard on the financial statements, if any.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, practical expedients are available. The Foundation has not yet determined the potential effects of the new standard on the financial statements, if any.

Subsequent Events – The Foundation has evaluated subsequent events through August 28, 2019, the date on which the financial statements were available to issue. There were no subsequent events requiring recognition or disclosure.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform to classifications used in the current year.

ROSE STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 and 2018

NOTE 2 – FAIR VALUE MEASUREMENTS

The Foundation measures its investments at fair value using the net asset value (NAV) per share practical expedient.

The following table presents investments measured at fair value based on NAV per share at June 30, 2019 and 2018:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>June 30, 2019</u>				
Multi-Strategy Bond Fund	\$ 97,788	\$ -	Limited	5 business days*
Multi-Strategy Equity Fund	<u>1,456,521</u>	<u>-</u>	Limited	5 business days*
	<u>\$ 1,554,309</u>	<u>\$ -</u>		
<u>June 30, 2018</u>				
Multi-Strategy Bond Fund	\$ 91,135	\$ -	Limited	5 business days*
Multi-Strategy Equity Fund	<u>1,357,263</u>	<u>-</u>	Limited	5 business days*
	<u>\$ 1,448,398</u>	<u>\$ -</u>		

* With additional stipulations such as withdrawal performed at month-end.

Multi- Strategy Bond Fund (Bond Fund) – The investment objective of the Bond Fund is to offer an actively managed, multi-manager investment program that will provide, in a single fund, broad exposure to global debt markets. The Bond Fund seeks to add value above the return of the broad U.S. bond market over a full market cycle, as measured by Barclays Capital U.S. Aggregate Bond Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

The redemption of these investments is not in structured liquidation. Instead distributions are received through the liquidation of the underlying assets of the fund.

Multi-Strategy Equity Fund (Equity Fund) – The investment objective of the Equity Fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The Equity Fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P 500 Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

The redemption of these investments is not in structured liquidation. Instead distributions are received through the liquidation of the underlying assets of the fund.

ROSE STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 and 2018

NOTE 3 – NET INVESTMENT RETURN (LOSS)

Net investment return (loss) consists of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operating investments		
Interest and dividends	\$ 6,339	\$ 6,333
Net realized and unrealized gain (loss)	48,613	67,646
Less investment management and custodial fees	<u>(2,544)</u>	<u>(2,549)</u>
	<u>52,408</u>	<u>71,430</u>
Endowment investments		
Interest and dividends	11,507	10,120
Net realized and unrealized gain (loss)	64,719	71,904
Less investment management and custodial fees	<u>(3,276)</u>	<u>(3,045)</u>
	<u>72,950</u>	<u>78,979</u>
	<u>\$ 125,358</u>	<u>\$ 150,409</u>

NOTE 4 – HISTORICAL PROPERTIES

Historical properties consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Historical Properties		
Atkinson Heritage Center	\$ 1,400,000	\$ 1,400,000
Atkinson Land	850,000	850,000
Atkinson Pony Barn	613,000	613,000
Artwork- Sculpture	<u>7,000</u>	<u>7,000</u>
	<u>\$ 2,870,000</u>	<u>\$ 2,870,000</u>

These properties are not depreciated since they have cultural and historical value that is worth preserving perpetually, and the Foundation is protecting the service potential of the properties.

ROSE STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 and 2018

NOTE 5 – ENDOWMENT DISCLOSURES

The Foundation's endowment consists of several individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In accordance with the requirements of the Oklahoma Uniform Prudent Management of Institutional Funds Act (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as permanently restricted 1) the original value of gifts donated to the endowment, 2) the original value of subsequent gifts donated to the endowment, and 3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OUPMIFA. In accordance with OUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the Foundation and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation and deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Foundation; and
- 7) The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate to conservative level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives while reducing risk to acceptable levels.

ROSE STATE COLLEGE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

NOTE 5 – ENDOWMENT DISCLOSURES (Cont'd)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year a Board approved percent of its endowment fund's fair value as of the immediately preceding July 1. Permitted annual disbursements for scholarships from permanent endowment fund earnings are reviewed by the Budget and Investment Committee annually and submitted to the Board for approval. In establishing this policy, the Foundation considered both the short-term and the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ending June 30, 2019 and 2018 are as follows:

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 729,386	\$ 729,386
Investment return:			
Interest and dividends	-	8,232	8,232
Net realized and unrealized gains (losses)	-	64,719	64,719
Total investment return	-	72,951	72,951
Contributions	-	54,686	54,686
Transfers between restrictions	-	70,000	70,000
Appropriations	-	(72,951)	(72,951)
Endowment net assets, end of year	\$ -	\$ 854,072	\$ 854,072
June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 691,985	\$ 691,985
Investment return:			
Interest and dividends	-	7,008	7,008
Net realized and unrealized gains (losses)	-	71,904	71,904
Total investment return	-	78,912	78,912
Contributions	-	37,401	37,401
Appropriations	-	(78,912)	(78,912)
Endowment net assets, end of year	\$ -	\$ 729,386	\$ 729,386

ROSE STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 and 2018

NOTE 6 –NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to expenditure for specified purpose or period are restricted for the following purposes at June 30, 2019 and 2018, consist of:

	<u>2019</u>	<u>2018</u>
Restricted by donors for		
Business Division Faculty/ Staff	\$ 4,764	\$ 5,159
Hazel Van Dusen	9,724	9,724
Michael Freeman	2,050	1,906
Service Learning	4,357	4,357
Advantage Bank Community Scholarship Stipend	7,186	5,766
Amelia Earhart Society Scholarship	2,292	3,937
Gary and Linda Banz Scholarship	13,650	13,350
G.L. "Shep" Sheppard Memorial Scholarship	10,095	10,129
Tinker Federal Civic Leaders Scholarship Program	25,871	54,884
Learning Community Fund	4,201	4,081
Dona Baker Harwell Nursing Grant	4,877	5,377
Tomorrow's Healthcare Professional Scholarship	18,687	17,742
Joy Rupp Community Scholarship	4,508	6,114
Business Division Community Scholarship	7,120	7,720
Psychology student	5,045	5,189
Tinker Leadership Development Association	6,730	6,730
Mary Lou Hawkins	5,982	6,895
Del City Pony Barn Fund	6,945	6,945
Gus and Carolyn Coleman Scholarship	16,132	16,993
Betty Price Community Scholarship	(149)	681
Banc First Community Scholar Stipend	2,537	1,084
Frances Hughes Scholarship	643,538	628,488
Health Information Technology	2,599	2,599
Public Art Fund	1,362	1,362
Chemistry Fund	12,977	17,258
Engineering and Science Northrop Grumman Scholarship	3,262	3,938
Leadership MWC Social Science Division Scholarship	5,427	6,627
Athletics	5,788	14,347
Men's Soccer	658	3,582
Women's Soccer	8,055	9,409
Baseball	-	2,280
Softball	6,883	2,219
FNB PLC Scholarship	1,715	1,715
Senator Cliff Aldridge Scholarship	1,138	2,000

ROSE STATE COLLEGE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (Cont'd)

	<u>2019</u>	<u>2018</u>
Ken and JoAnn Bartlett Scholarship	-	20,000
AllianceHealth Midwest Nursing Science Scholarship	24	1,224
Susan Whitson-Rogers Business Division Scholarship	2,950	2,950
Regent Richard Hefton Scholarship	8,050	8,050
Mejstrik STEAM Summer Program	7,515	4,015
Kids College Scholarships	276	276
Spencer Property	-	78,400
Joseph Wendell Atkinson Scholarship	2,750	3,750
Virgil and Elsie Milliron Athletic Scholarship	20,000	20,000
AHC Special Projects	2,599	4,659
Captial Projects	450,000	-
Unspent appreciation of Endowment funds must be appropriated for expenditure before use Restricted by donors for scholarship	<u>1,287</u>	<u>1,287</u>
	<u>\$ 1,351,457</u>	<u>\$ 1,035,198</u>

Net assets were released from restrictions as follows during the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Frances White Hughes Memorial Scholarship	\$ 39,901	\$ 40,278
Advantage Bank Scholarship	830	1,860
Dona Baker Harwell Nursing Grant	500	-
Amelia Earhart Scholarship	1,645	-
Business Division Faculty/ Staff Scholarship	600	598
Michael Freeman	-	877
G.L. "Shep" Sheppard Memorial Scholarship	977	978
Psychology Rose State College Student Scholarship	974	136
Tinker Federal Civic Leaders Scholarship	29,013	14,819
Non-Traditional Student Organization Scholars		300
Business Division Community Scholarship	600	555
Mary Lou Hawkins Scholarship	1,663	825
Gus and Carolyn Coleman Scholarship	1,361	1,518
Sam & Jo Hinojosa Scholarship	-	550
Health and Sports Science Scholarship	-	300
Joy Rupp Community Scholarship	1606	550
Betty Price Community Scholarship	830	550
BancFirst Community Scholar Stipend	157	1,220
Chemistry Fund	4,282	-
Engineering and Science Northrop Grumman Scholarships	677	1,200
Health Information Technology	-	1,615

ROSE STATE COLLEGE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (Cont'd)

	<u>2019</u>	<u>2018</u>
Leadership MWC Social Science Division Scholarship	1,200	600
Chickasaw Nation Native Scholars Leadership Program	-	1,399
Athletics	9,829	-
Men's Soccer	5,157	1,500
Women's Soccer	5,721	6,830
Baseball	2,780	-
Public Art Fund	-	458
Senator Cliff Aldridge Scholarship	862	1,000
AllianceHealth Midwest Nursing Science Scholarship	1,200	1,200
Joseph Wendell Atkinson Scholarship	1,000	-
Susan Whitson-Rogers Business Division Scholarship	-	600
Mejstrik STEAM Memorial Scholarship	-	2,985
AHC Special Projects	20,754	1,854
FNB PLC Scholarship	1,700	2,019
	<u>\$ 135,819</u>	<u>\$ 89,174</u>

Net assets with donor restrictions to be held in perpetuity consist of beneficial interest in perpetual trusts, endowment funds restricted by donors for investment in perpetuity, and donated property. Distributions from perpetual trusts and earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the Foundation.

With the exclusion of donated property, net assets with donor restrictions to be held in perpetuity, classified by restriction on the use of earnings are as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Investment in perpetuity, the income of which is expendable to support:		
Classified Staff Association	\$ 20,439	\$ 20,083
LaFern Barnes Scholarship	25,800	25,500
Jan R. Burnham Dental Hygiene Award	10,000	10,000
Elizabeth DeCarlo Memorial	10,000	10,000
Faculty Memorial	16,000	16,000
David & JoAnn Fox Scholarship	15,000	15,000
Jordan Scholarship	15,425	15,000
Katherine Joan Hardin	34,398	34,398
Charles & Lola Howard	10,000	10,000
Alice Cannon McWaters	10,500	10,500
Erma Jean Newman Nursing	32,320	32,320
Parker, Tinker-Wells, Hughes	10,000	10,000
April Primo Scholarship	26,669	26,669
Professional/ Administrative Staff Association	42,511	42,511
Union Ladies Aid Society of Sooner	62,500	62,500

ROSE STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 and 2018

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (Cont'd)

	<u>2019</u>	<u>2018</u>
Estes & Frances Walker Child Development Award	15,000	15,000
Clarence & Nancy Weisang	4,200	4,200
JR Hoover	28,525	27,360
Stephen and Mikele Leone Scholarship	14,210	14,210
Craft Designers Association of MWC	6,286	6,286
Stacy Messinger Scholarship	15,000	15,000
Susan Loveless Endowed Scholarship	15,460	15,460
Senior Physicians Scholarship	25,350	25,350
Voncille Attebery Winter, PhD. Memorial Scholarship	25,000	25,000
Joe W. Davis Memorial Scholarship	28,151	26,316
Lt. Vernon Butler U.S. Navy Memorial Scholars	10,081	10,081
Melanie Marie Eisenhower-Salter	90,006	69,401
Robert and Linda Croak Endowed Scholarship	60,000	60,000
Jim Axley Poetry Award	25,241	25,241
Trooper John Holland Scholarship	25,000	-
Ken and JoAnn Bartlett Scholarship	25,000	-
W.P. "Bill" and Rubye Atkinson Endowment	50,000	-
Mason Charity Foundation Leadership Endowment	50,000	50,000
	<u>\$ 854,072</u>	<u>\$ 729,386</u>

As of June 30, 2019 and 2018, net assets with donor restrictions to be held in perpetuity also include the Atkinson Heritage Center property of \$2,863,000 and artwork of \$7,000.

NOTE 7 – FUNCTIONAL EXPENSES

Total expenses by function were as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Scholarship and awards	\$ 178,972	\$ 386,273
Total program expenses	<u>178,972</u>	<u>386,273</u>
In-kind salaries and benefits	113,220	104,656
In-kind rent	8,000	8,000
Special projects	33,403	15,967
Other expenses	32,537	30,993
Total supporting services expenses	<u>187,160</u>	<u>159,616</u>
Total functional expenses	<u>\$ 366,132</u>	<u>\$ 545,889</u>

ROSE STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 and 2018

NOTE 8 – RELATED PARTY TRANSACTIONS

The Foundation and the College are related parties that are not financially interrelated organizations. The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. The Foundation's contributions to the College during the years ended June 30, 2019 and 2018 are reported in the Foundation's financial statements as scholarships, awards, and programs of \$178,972 and \$386,273, respectively. At June 30, 2019 and 2018, the Foundation had scholarship, awards and programs payable to the College of \$28,026 and \$35,637, respectively.

The Foundation receives various administrative services and office space from the College at no cost. The Foundation's office space is provided by the College. During 2019 and 2018, \$8,000 was recorded as in-kind rent. The Foundation's payroll cost for employees handling all day-to-day operations are paid by the College. During 2019 and 2018, approximately \$113,000 and \$105,000, respectively, was recorded as contributed services, which represent the Foundation's portion of the staff's salaries. These amounts are recorded as in-kind contributions on the accompanying statements of activities.

The Foundation has entered into an operating lease with the College for the Atkinson Heritage Center property. The purpose of the lease is for the College to use, operate, and maintain the property. The term of the lease is for a period of 99 years. In consideration for use of the property, the College is to pay a nominal rent amount to the Foundation and is to pay all executor costs (maintenance, insurance, etc.) related to the property.

NOTE 9 – LIQUIDITY AND AVAILABILITY

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table provides information about the Foundation's liquidity as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total financial assets	\$ 2,604,312	\$ 1,981,640
Donor imposed restrictions:		
Perpetual in nature	(854,072)	(729,386)
Purpose restricted:	<u>(1,351,457)</u>	<u>(1,015,198)</u>
Net financial assets after donor-imposed restrictions	398,783	237,056
Internal designations	<u>(28,862)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 369,921</u>	<u>\$ 237,056</u>